

### ASB New Zealand Commodity Price Indices As at Friday 21<sup>st</sup> October 2016

	Index *	1 Week %	Year % **
Total NZD	162.8	-0.6%	-1.0%
Total SDR	176.9	1.0%	7.0%
Total USD	176.4	0.6%	5.1%
Dairy USD	174.3	2.8%	9.7%
Sheep/beef USD	208.1	-0.9%	-1.6%
Forestry USD	158.3	0.4%	12.3%
NZD/USD	0.7168	1.2%	6.1%

\* For all indices 1997 average = 100

\*\* Percentage change since same week last year

#### Beef prices remain firm despite expectations for falls

When all is said and done, beef prices haven't moved much over recent months. Since July, (P2 steer) prices have fluctuated 14 cents either side of \$5.50/kg.

This narrow range is despite the general view that prices would decline. In particular, the accepted view was that recovering US beef production would weigh on prices.

However, lack of supply both locally and from Australia is keeping NZ beef prices high. In particular, Australian beef production has slowed as the Australian beef herd rebuilds. Moreover, the rebuilding is likely to continue over the rest of this year and into 2017, and the lack of Australian beef opens the door for NZ exporters.

Indeed, we expect the combined Australia and New Zealand production tightness to keep prices firm in the short term. In fact, there is a chance that these factors push prices towards \$6.00/kg before the end of 2016.

All up, it seems that moderating beef prices is next year's story.

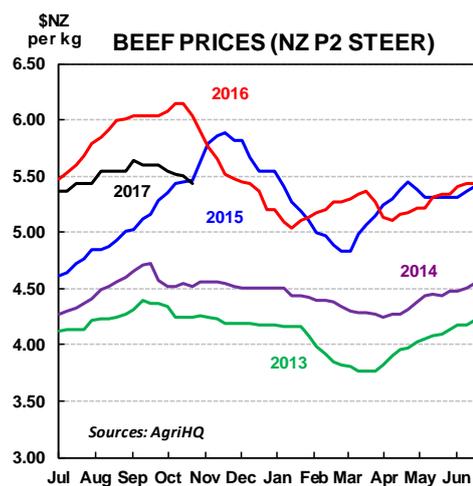
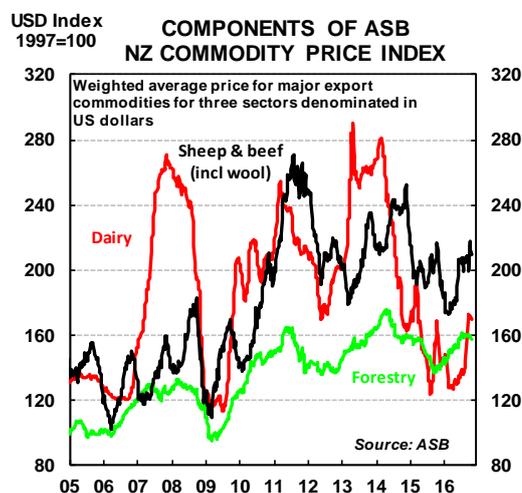
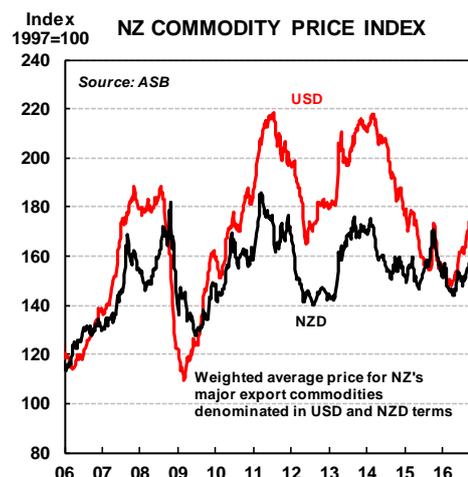
#### ASB NZ Commodity Price Index

The ASB Commodity Price Index edged up 0.6% in USD terms last week, on an 8% surge in wholemilk powder prices. A strong NZ dollar offset the rise, pushing the Index down 0.6% in NZD terms.

On a components basis, dairy prices rose 2.8%, driven by price increases in butter (0.8%), skim milk (4.5%) and wholemilk powder (7.9%). Cheddar prices, however, slipped 0.7% while casein was unchanged. The Sheep/Beef index continued its downward trend, slipping nearly 1% across all products. Wool and beef prices dipped 1.4% and 1.3%, respectively, while lamb prices eased 0.5% lower. Lastly, the forestry index lifted 0.4% overall, helped by a 0.8% increase in log prices; pulp prices stayed put.

#### Currency Markets

The NZD faced a volatile week last week. Although the currency started the week on a solid note due to stronger-than-expected inflation data, widespread US dollar strength weighed on the local currency toward the end of the week. At the time of writing, the NZD was trading at US\$0.7122.



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